

# OSRFA

Office of School Review and Fiscal Accountability

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# QUIZ

- How many school districts are in Michigan?
  - A. 200 – 400
  - B. 400 – 600
  - C. 600 – 800
  - D. 800 – 1000

**Fun Fact:** In 2015-16 there were 13,584 districts in the United States

\*According to the National Center for Education Statistics

# Who does OSRFA work for?

- All 800+ public school districts in Michigan
  - Best practices and support
  - Trend and data analysis
- School districts with **potential fiscal stress**
  - Identify schools trending toward deficit
  - Provide assistance to avoid incurring fiscal stress
- School districts with **fund balance deficits**
  - Develop and monitor deficit elimination plan
  - Partner with school district to resolve deficit
- School districts with **financial emergencies**
  - Develop and monitor long-term financial plan
  - Act to resolve financial emergency

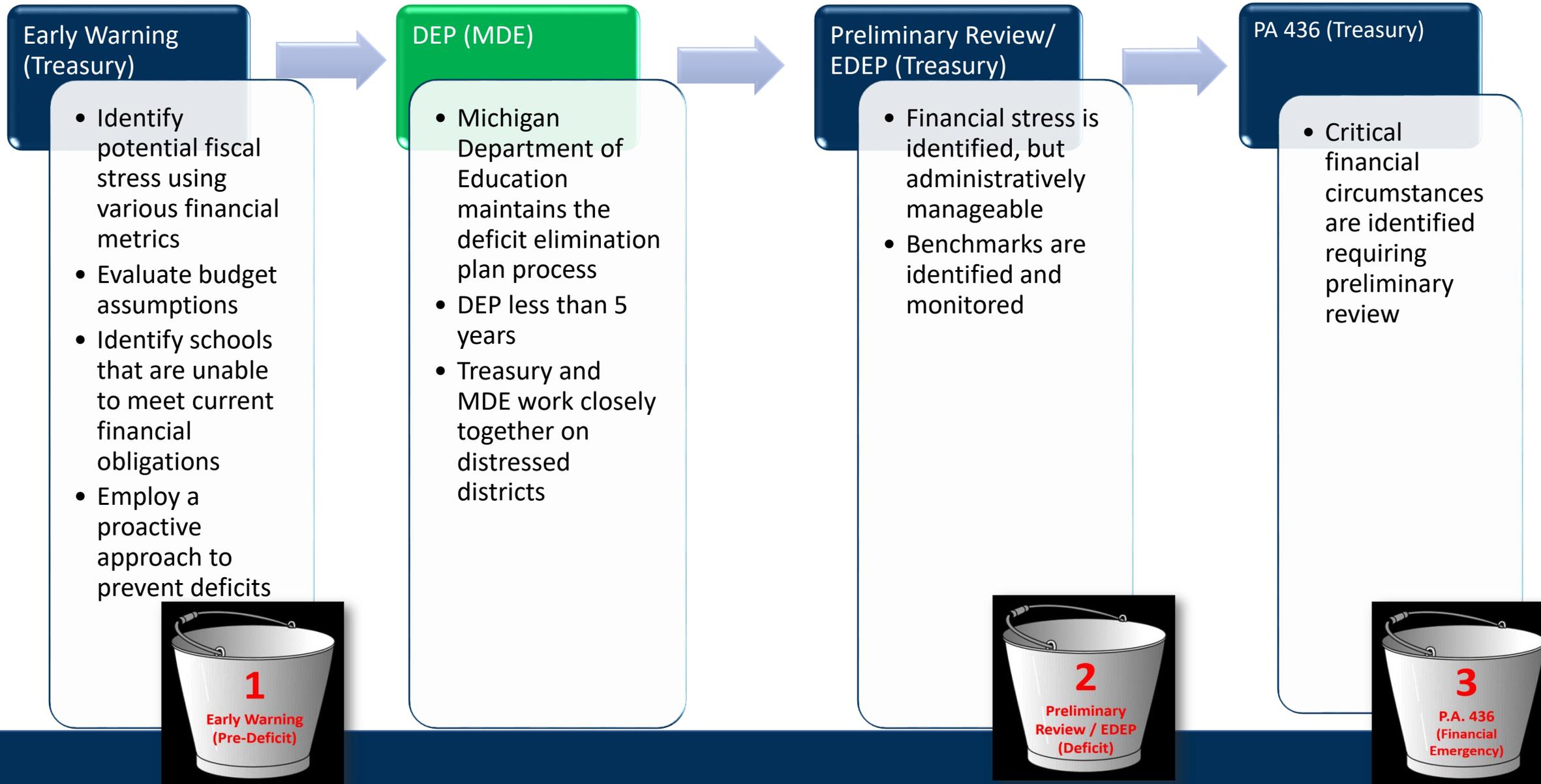


# Our goal: provide value to Michigan schools:

- Identify financial challenges
  - Trend analysis
  - Peer comparison
  - Early warning
- Connect schools to resources
  - Training and partnerships
  - Best practices
  - Technical support



# MDE & Treasury's role regarding financially distressed schools



# When does OSRFA contact a district?

- **Budget Assumptions**

- MCL 380.1219(1): Due **July 7 each year** to the Center for Educational Performance and Information (CEPI)
- All districts with a general fund balance less than 5% of revenue must provide budget assumptions used for the upcoming FY

- **Budget Reviews**

- Treasury reviews budgets on roughly a **tri-annual** basis
- Districts are contacted for a corrective action plan (CAP) if they are budgeting to use more than 50% of their fund balance

- **Projection Model**

- Districts are contacted around **December** for a CAP if they project a deficit in the current and following two fiscal years
- Projection model is updated with FID data due November 1 and the fall enrollment count used in the December state aid payment



# How do budget reviews work?

- MCL §388.1618(2): Budget and amendments must be posted within **15 days** of adoption
- Our team visits the website for all open school districts to collect summary budget information
  - Beginning of the fiscal year
  - After fall count
  - After spring count
- Check budgets for concerning indicators
  - Spending more than 50% of fund balance
  - Adjust to audited balances after November 1
- If no budget is posted for the current year, we will contact school districts to correct the issue.



# How does the projection model work?

- Fund balance is projected using historical data from the Financial Information Database (FID)
  - Identifies downward trend before districts incur a deficit
  - Weighted 75% previous year; 20% second year; 5% third year
- Identifies districts projecting to incur a deficit within the current or following 2 fiscal years
- Four key indicators
  - Pupil FTE
  - Revenue
  - Expenditure
  - Fund Balance
- 92% success rate using FY 2017 data



# What happens when a district is identified?

- Districts are contacted by Treasury before any determination is made
- Opportunity to provide evidence refuting potential fiscal stress
  - Provide background and information
  - Explain budget and assumptions
  - Identify recent changes and good news
- OSRFA may follow up with the district for more information to make a final decision



# What happens when potential fiscal stress is declared?

- OSRFA will notify the district that
  - Potential fiscal stress has been declared
  - District has 60 days to contract for an administrative review or be subject to periodic reporting
- Administrative review
  - ISD or authorizer has 90 days to complete review and issue recommendations to the district
  - Recommendations must be presented at the next scheduled board meeting
  - ISD or authorizer submits quarterly reports
- Periodic reporting
  - Monthly cash flow reports
  - Quarterly budget to actual reports



# Early Warning Progress:

Projection Model			
Fiscal Year	Requested Corrective Action Plan	Declared Potential Fiscal Stress	Remaining Districts
2015-16	75	18	2
2016-17	50	7	1
2017-18	51	7	1
2018-19	43	Pending	Pending

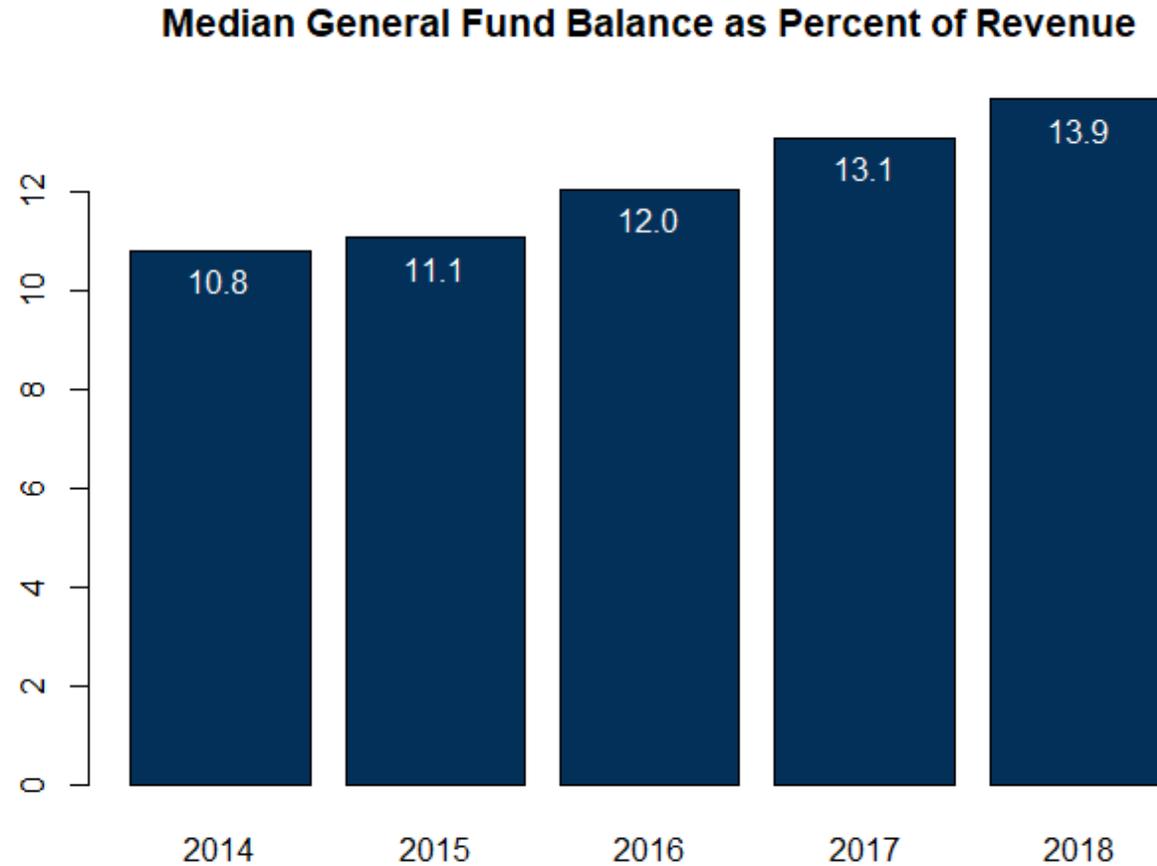
Budget Review			
Fiscal Year	Requested Corrective Action Plan	Declared Potential Fiscal Stress	Remaining Districts
2015-16	30	1	0
2016-17	26	1	0
2017-18	4	0	0
2018-19	25	Pending	Pending

- **Out of the 34 districts with potential fiscal stress, 4 remain:**
  - 22 improved
  - 5 incurred deficits
  - 3 closed (PSAs)
- **Of the districts found to have potential fiscal stress:**
  - 67% chose periodic reporting
  - 33% chose administrative review

# QUIZ

- What is the median general fund balance of all school districts?
  - A. 0 – 5%
  - B. 5 – 10%
  - C. 10 – 15%
  - D. 15 – 20%

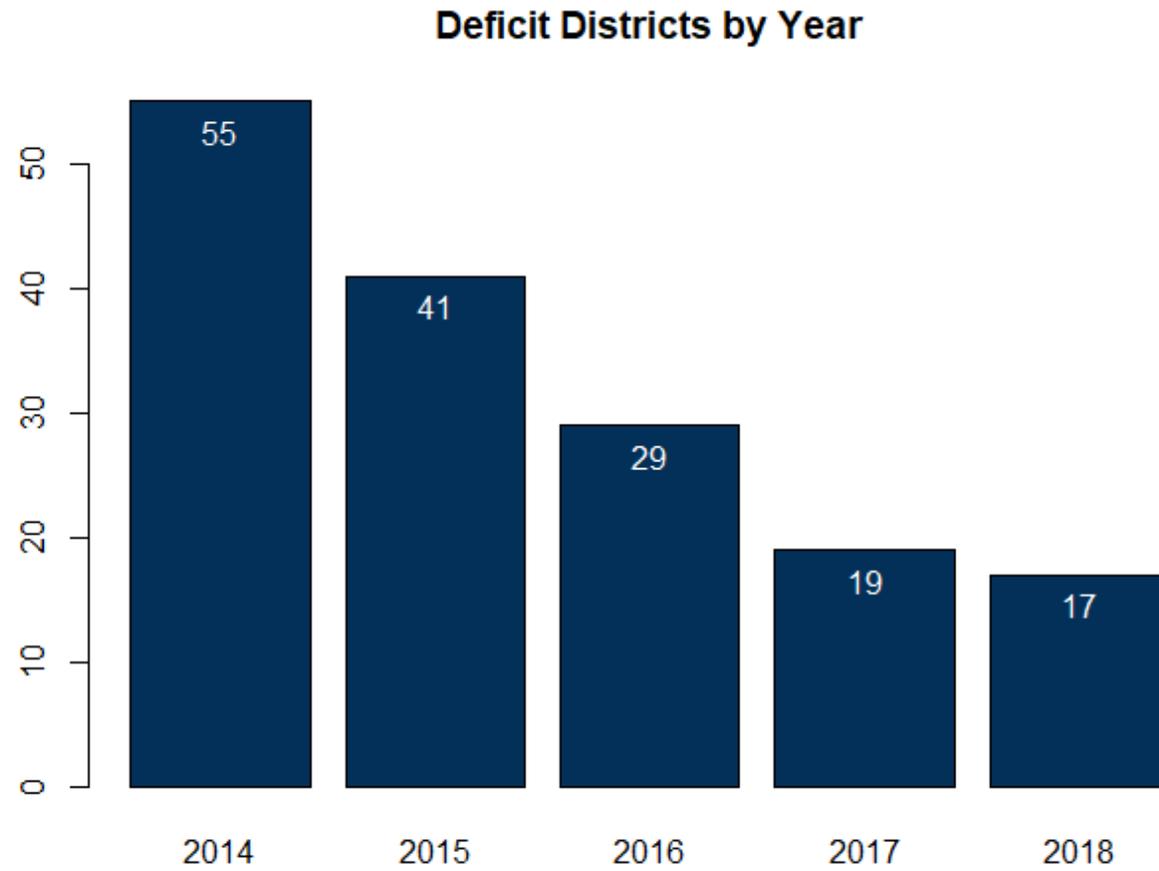
# Good news: fund balances are recovering:



# QUIZ

- How many school districts are in deficit?
  - A. 0 – 15
  - B. 15 – 30
  - C. 30 – 45
  - D. 45 – 60

# Great news: deficits are in decline:



# OSRFA as a resource: data

- In your folders:
  - 1 page status report for your district
  - Peer comparison tool
- Other data sets include:
  - School of choice
  - Historical revenue & expenditure by account code

# OSRFA as a resource: conferences

- OSRFA hosts free conferences open to superintendents, business managers, and board members
- Provide information related to avoiding and recovering from fiscal stress
- Lower peninsula
  - Annual conferences since 2016
  - Latest conference October 17, 2018
- Upper peninsula
  - First conference October 9, 2017



Contact us or visit our website: [Michigan.gov/OSRFA](https://Michigan.gov/OSRFA)

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